Defining Your KPI: A Step-by-step Guide

"**What gets measured gets done,**" that's something I've heard many people say in my lifetime, but a more important question is "**How does measuring itself happen?** The guidelines below can help you keep track of important key performance indicators (KPIs) as part of your overall performance management strategy and design thinking efforts.

Step 1: Choose one or two measures that directly contribute to each of your objectives.

Even though your organization is made up of numerous moving parts that are necessary for it to run and perform, it is not possible or practical to keep track of everything that is happening within the company. A crucial aspect of keeping track of important measures is that not all measures are significant enough to track. It is another example of tracking too many measures, which leads to excessive work that ultimately provides no real benefit.

Instead, focus on choosing two or three metrics that are especially relevant to each of your goals. It's possible for multiple metrics to be applied, but only a few of them will have an impact on performance.

One specific way of explaining your objective might be to say that you want to improve your employee training and development programs. Training hours or the percentage of the workforce that is trained are poor measures of the actual results you're after: people's skill development to handle more advanced roles. For example, a measure of training effectiveness might be a reduction in errors due to training.

Step 2: Make sure your measures meet the criteria for a good KPI.

You should also verify that your selected key performance indicators (KPIs) are accurate measures of success. You should also verify that your selected key performance indicators (KPIs) have some additional features that indicate their effectiveness. Ask these questions about each KPI you're considering:

- Can it be **easily quantified**?
- Are we able to influence/drive change using this KPI, or is it out of our control?
- **Does this KPI connect to our objective** as well as overall strategy?
- Is it **simple to define and understand**?
- **Can it be measured** in both a timely and accurate manner?
- Does it contribute to a broad range of perspectives – i.e. Customer, Financial, Internal Processes, Learning and Growth?
- Will it still be **relevant in the future**?

If you answer "no" to many of these questions, it may be a sign that the KPI either needs to be altered or replaced altogether.

Step 3: Assign responsibility for each KPI to specific individuals.

One of the greatest advantages of KPIs is that they allow an organization to measure progress and tell the world how it is doing. However, KPIs are only likely to be put into practice if someone is held accountable for tracking and reporting on them. Other positive side effect: If the responsible party is also eager for the measure to succeed, they are likely to be more willing to see it succeed, even if they see performance going down. You can be certain that even if the sole responsibility of a person is to report on their KPI, they would prefer to report on good news instead of bad news, which motivates them even more.

If you have an analyst who is responsible for collecting the data, you may have an inferential analyst involved. This is important, but a business leader who is accountable for "reporting" on measurements is even more critical. If you want to be a good business leader, you must be able to properly interpret the data, place it in the context, and answer whether the results are positive or negative and why. It is possible that the person who is accountable for the measurement will have the ability to influence the resources that are applied to improving the measurement.

Step 4: Monitor and report on the KPIs.

Finally, it is important to review your KPIs and their performance on a predefined reporting frequency, such as monthly, quarterly, or yearly. Regular monitoring allows you to see when and why something fell short or exceeded expectations, as well as how and why it changed.

Since many measures and goals are interrelated, to ensure that everyone on the team is on the same page, we must report these findings to all relevant parties. Using customizable dashboards to inform various audiences is a simple (and practical) way to disseminate information. You can create one dashboard for departments working on key performance indicators (KPIs), and another for executive teams that gives a high-level overview.